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Defense Economy of the United States Labor Problems

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Defense Economy of the U.S.: Labor Problems*

BY JOHN C. deWILDE

THE mechanization and motorization of modern war has enhanced rather than diminished the importance of adequate man power. As many men as formerly are required for the armed forces, and millions more are needed in industry to equip and arm the soldiers and keep them supplied. All the belligerents suffer from a shortage of man power. To overcome this deficiency Germany has strictly regimented its workers and drawn heavily on the occupied countries for labor; while Britain has reluctantly imposed increasing restrictions on the freedom of workers and relied greatly on war material supplied by labor in the United States and the Empire. Although the labor reservoir in the United States seems sufficient for all needs, shortages of skilled workers are becoming acute, and the transfer of labor from non-defense to defense industries has created difficult problems. Moreover, widespread strikes have focused public attention on the rôle of labor in national defense.

LABOR REQUIREMENTS

Estimates of the amount of labor needed for munitions production in the United States have been repeatedly revised as the defense program was expanded. Appropriations and contract authorizations for war material, equipment, industrial facilities and defense construction have risen from the comparatively modest total of \$10 billion in the summer of 1940 to about \$50 billion at the end of August 1941.¹ This sum, which will continue to grow, will, of course, be spent over several years. In the fiscal year 1940-41 total payments on defense contracts amounted to only \$5,596 million,² al-

though production probably reached a value of \$9 billion.³ In July disbursements for national defense for the first time exceeded \$1 billion and are expected to mount rapidly in the future. Mr. Knudsen hopes that defense output will reach \$20 billion in the current fiscal year and a peak of \$30 billion during 1942-43.⁴ These are, however, goals which may not be attained owing to shortages of materials or other difficulties.

If defense production actually reaches a yearly total of \$25 to \$30 billion, it may require a labor force of approximately 9.5 to 11.4 million.⁵ This does not mean that the number employed at the height of the defense program will really be so much higher than in May 1940. Before the peak in defense output can be attained there will be substantial curtailment of civilian production, particularly of automobiles, radios, refrigerators, washing machines and other household appliances which compete with the munitions industry for vital materials. Up to the present the defense program has stimulated consumer goods industries by increasing employment and incomes. Priorities and rationing, however, are already necessitating a reduction in output and will undoubtedly interfere increasingly with civilian supplies. While the amusement and service industries and the production of consumers' goods which do not require scarce materials will continue to expand and demand more labor, others are and will be laying off workers. Leon Henderson, who is in charge of civilian supplies, has estimated that "priorities unemployment" may ultimately reach 2 to 2.5 million.

3. Address by William S. Knudsen, *OPM Press Release*, PM 927, August 13, 1941.

4. *Ibid.*

5. For a similar calculation, see Sumner H. Slichter, *Economic Factors Affecting Industrial Relations Policy in National Defense* (New York, Industrial Relations Counsellors, 1941), p. 31. Earlier estimates by the Bureau of Labor Statistics of the Department of Labor indicate an even higher total. Thus at the end of 1940 the Bureau estimated that the expenditure of \$17 billion for construction and materials would require 8,380,000 man-years of labor ("Labor Requirements for National Defense," *Labor Information Bulletin*, February 1941). These figures, however, are based on a 40-hour week and do not take into account the increase in labor productivity which has taken place recently owing to improved machinery and a higher rate of operations.

*This is the fifth of a series of *Foreign Policy Reports* on the Defense Economy of the United States. Previous issues have been entitled "Problems of Mobilization" (November 1, 1940), "Inventory of Raw Materials" (November 15, 1940), "Industrial Capacity" (February 15, 1941), and "Transportation and Power" (July 1, 1941).

1. According to the Bureau of Research and Statistics of the OPM, the total on July 15, 1941 amounted to \$42,404,000,000 including \$3,669,000,000 in British orders, but excluding \$8,381,000,000 for pay, subsistence and purchase of imported materials (*OPM Press Release*, PM 792, July 26, 1941). In August Congress approved a bill providing \$7,550,000,000 more in appropriations and contract authorizations (*The New York Times*, August 16, 1941).

2. *Defense*, August 12, 1941, p. 1.

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Since there are obvious difficulties in the way of transferring men from non-defense to defense occupations, it is altogether likely that a considerable volume of unemployment will persist while defense industries experience an acute shortage of qualified workers.

THE LABOR RESERVOIR

Unfortunately, there is no national inventory of labor available for defense needs. The opportunity of taking such an inventory was neglected in the framing of the Selective Service Act. Germany, in its typically thorough fashion, requires virtually all workers and employees to carry a labor-book giving the training and occupational history of the bearer. In this way the public employment offices have obtained valuable insight into the available labor supply.⁶ The British government, too, has taken a census covering certain industries.⁷

In the United States estimates of available labor must be derived largely from unofficial statistics on the number unemployed in May 1940, when the defense program got under way. These statistics differ widely, ranging from 10,748,000 (CIO) to 10,013,000 (AF of L) and 8,829,000 (National Industrial Conference Board). Professor Slichter, a recognized authority on labor, believes that unemployment at that time was no more than 8,340,000.⁸ A figure of 9,000,000 may be taken as an approximation. Of this total, 1,000,000 are probably unemployable.⁹ In addition, one must deduct 1.5 million men who will have entered the army, navy or the civilian branches of the armed services by the middle of 1942. On the other hand, approximately 600,000 persons are normally added to the available labor force every year, so that, after subtracting deaths and retirements, 1,000,000 more will be available by the summer of 1942. Another 2,000,000 can probably be recruited from agricultural occupations without greatly impairing output; and several million women may be induced to abandon housework in favor of the factory or shop. Thus a total of about 11.5 million additional workers and employees would be available.

This figure would be reassuring provided the

supply included all the required types of labor, particularly the necessary skills, and provided idle and potential labor were distributed by industries and geographic regions in exactly the same proportions as defense work. Neither of these conditions obtains today.

THE NEED FOR SKILLED WORKMEN

The demand for skilled labor and supervisory personnel probably will far outrun the supply. The Bureau of Labor Statistics has estimated that 35 per cent of defense labor must be skilled, 30 per cent semi-skilled, and 25 per cent unskilled.¹⁰ While the demand for skilled workers can in practice probably be reduced to one quarter or one fifth of the total,¹¹ it is still difficult to satisfy. During the prolonged depression labor training was neglected and the skill of idle men deteriorated. The number of new foremen and junior executives engaged and trained in the last decade is far below present requirements. In 1930 the census listed only 5,955,000 skilled men; and since that time there has been an estimated gross loss of 1,843,000.¹² In the summer of 1940 the U.S. Employment Service took an inventory of the 5,700,000 workers registered with some 1,500 public employment offices throughout the country, and discovered 900,000 skilled and 1.1 million semi-skilled workers. Experience has shown, however, that a considerable number of registrants either do not possess the skills they claim or need further training.¹³

Recent monthly reports on labor market developments compiled by the Federal Security Agency already indicate widespread labor shortages. Almost everywhere reservoirs of skilled labor are either depleted or approach exhaustion. Employers are reported to be dropping age limits, lowering physical requirements and engaging women and workers of lower skill. The shortage of skilled metal-workers is well-nigh universal. All-around machinists, tool and die-makers, various types of machine operators, molders, shipfitters, ship carpenters and coppersmiths are said to be extremely scarce. A lack of unskilled labor is as yet reported in only a few sections where many workers have migrated to regions of higher wage rates. In numerous localities farmers are having difficulty re-

10. "Labor Requirements for National Defense," cited.

11. Slichter, *Economic Factors Affecting Industrial Relations Policy in National Defense*, cited, p. 3.

12. *Ibid.*, p. 48.

13. The Federal Security Agency has admitted that 25 per cent of the workers registered in a selected list of defense occupations were not referable to jobs, half because they were undesirable workers or expected to return to full-time employment with former employers, and half because they needed additional training. See *Labor Supply Available at Public Employment Offices in Selected Defense Occupations*, April 1941.

6. L. Hamburger, *How Nazi Germany has Mobilized and Controlled Labor* (Washington, The Brookings Institution, 1940), pp. 11-13.

7. Under the Registration for Employment Order of 1941, issued on March 15, the Minister of Labor and National Service may from time to time require any British subject of either sex to register. By this means the government can survey the available labor force and recruit for service those registrants who are needed for the war effort, whether employed or not. See Margaret H. Schoenfeld, "Development of British War Labor Policy," *Monthly Labor Review*, May 1941.

8. Slichter, *Economic Factors Affecting Industrial Relations Policy in National Defense*, cited, pp. 32-33.

9. *Ibid.*, p. 33.

cruiting casual labor to harvest crops.¹⁴

Actual and potential labor shortages can be combated by three methods: (1) training skilled and semi-skilled workers; (2) increasing the length of the working day and week; and (3) improving the distribution and utilization of available labor.

LABOR TRAINING

The Labor Division of the National Defense Advisory Commission early launched a nationwide labor training program. Through the agency of the U.S. Office of Education it has mobilized the country's vocational schools to give pre-employment courses lasting 5 to 10 weeks to unemployed workers and supplementary training to those already employed. It has also persuaded technical schools to specialize in concentrated Engineering Defense Training courses lasting from two or three to nine months. By June 1941 over 1,000,000 persons had finished these types of courses.¹⁵ In addition, the National Youth Administration has enabled several hundred thousand young people to acquire some rudimentary experience and training in its out-of-school work program;¹⁶ and the CCC has given many of its enrollees elementary training in mechanics, welding and radio work.¹⁷

Training outside the plant, however, can at best only produce a superior type of learner for semi-skilled work or supplement practical knowledge acquired in the factory. Vocational school training has in many cases been handicapped by lack of competent instructors and good equipment. Machines and tools are often antiquated, and the Priorities Division of the OPM has been unwilling to accord preferential ratings to purchases of new equipment by schools. Frequently courses have been poorly adapted to the needs of local industries, although some improvement in this respect has been effected.¹⁸ In larger cities, particularly, there

is still insufficient coordination of vocational school training with industrial needs; but in smaller cities, where one or two industries predominate, it has proved easier to gear the program to the requirements of local employers.¹⁹ Many trainees have apparently not been placed;²⁰ and more recently young people have shown a growing tendency to take jobs without enrolling for preliminary vocational courses.

For these reasons, "on-the-job" training has been increasingly stressed. Under the leadership of Channing R. Dooley, one of the country's foremost personnel authorities, the Training Within Industry Section of the OPM's Labor Division has assisted industrial management to inaugurate and improve systems for training workmen and supervisors. This section has set up 22 regional offices, each with a staff of expert consultants, whose advice and help employers may invoke. It promotes training through the use of "upgrading," whereby a worker or supervisor is permitted to advance to positions of higher skill and experience as rapidly as possible, and encourages plant managers to break up skilled jobs into a series of operations, some of which can be left to less skilled labor and each of which can be learned in less time than the whole task.²¹ The need for "all-around" skilled workmen is thus diminished.²²

APPRENTICESHIP

Virtually every plant, however, requires a certain percentage of highly skilled craftsmen who can only be trained through a regular apprenticeship program lasting from three to five years. During the depression apprenticeship training was greatly neglected. Although this condition has often been ascribed to limitations on the number of apprentices enforced by labor unions, available evidence demonstrates that employers rarely hire as many apprentices as union rules allow.²³ At the same time, the number of apprentices who should

14. Federal Security Agency, *Labor Market Developments*, February through July 1941, *passim*. The employment service reported in April and May 1941 that the number of registrants available for placement through public employment offices was insufficient for 73 out of 394 selected defense occupations. (Federal Security Agency, Bureau of Employment Security, *Labor Supply and Demand in Selected Defense Occupations*, April-May 1941, May 27, 1941).

15. By the beginning of June 1941, 716,655 had finished pre-employment, refresher or supplementary training courses, 132,253 had completed courses for out-of-school youth, 125,000 vocational training on NYA projects, and 95,529 had taken special Engineering College courses. See statement by Sidney Hillman before the Committee of the House of Representatives Investigating National Defense Migration, OPM Press Release PM 729, July 15, 1941.

16. *Ibid.* On June 21, 1941 the NYA had 354,936 in its out-of-school work program.

17. See the review of its accomplishments by Director J. J. McEntee, *New York Herald Tribune*, March 31, 1941.

18. *Labor and National Defense* (New York, The Twentieth Century Fund, 1941), pp. 30-31.

19. Thus the program has been a conspicuous success in Paterson, New Jersey, where it has been carried out in cooperation with the Wright Aeronautical Co. (See *Labor Speeds Defense*, published by the Labor Division of the National Defense Advisory Commission in 1941, p. 18). Under the "Connecticut Plan," which has also been successful, local committees aid in devising courses after a preliminary survey of employment needs (*The New York Times*, February 14, 1941).

20. In the period July 1940-June 1941 43,768 trainees found jobs through public employment offices, and 59,923 through other agencies. Federal Security Agency, *Vocational Training Activities of Public Employment Offices*, June 1941.

21. *Labor Speeds Defense*, cited, pp. 21-25.

22. Experience demonstrated, for example, that the "bottle-neck" in skilled instrument makers and lens-grinders could be broken by dividing the task ordinarily assigned to one worker into a number of operations and teaching each separately.

23. For proof of this point, see Sumner H. Slichter, *Union Policies and Industrial Management* (Washington, The Brookings Institution, 1941), pp. 28-31.

be trained in the next few years is so great, that at least a temporary relaxation of union restrictions may be needed.²⁴ At present there are probably only about 125,000 apprentices in American industry, although four to eight times as many are really required.²⁵ During the past years the Federal Committee on Apprenticeship of the Department of Labor has intensified its activities, encouraging apprenticeship by formulating standards and helping plants to install training programs. Its efforts have been hampered to some extent by the indifference of workers, who generally prefer to "pick up" their trade in a rather haphazard fashion, and by lack of interest on the part of employers who either make no provision for training or simply hire "learners" to whom they are not obliged to give a well-rounded training over a designated period of time. In Germany engineering and building concerns employing ten or more workers have actually been compelled since 1936 to train apprentices in such proportions to skilled workers as were determined by the public employment office.²⁶ If American industry is to compete on an equal basis in wartime and peacetime production, apprenticeship must be widely extended.

Up to the end of June 1941 the Training Within Industry Section of the Labor Division had helped 892 companies employing 1,532,000 workers to install training systems in their plants.²⁷ A survey of 659 defense industries made by the National Association of Manufacturers in the summer of 1941 disclosed that 382,876 men, women and youths were enrolled in plant training courses.²⁸ Many manufacturers, particularly in the aircraft industry, appear to have done an excellent job training workers in anticipation of requirements. Others, however, have failed to plan adequately for the future and have continued to recruit skilled workers wherever they could find them, frequently in the plants of rival concerns. Lack of experience with job training has deterred many small companies from installing training systems. Many of them, however, are now remedying these deficiencies since they are finding that skilled labor can hardly be obtained any other way.

INCREASING THE WORK WEEK

In view of the great difficulties in recruiting and training additional workers, defense contractors

have been compelled to lengthen the work week. Many of them, for example, have found it impossible to adopt the suggestion, advanced by Mr. Hillman early in May 1941,²⁹⁻³⁰ that munitions industries employ 4 shifts, each of 40 hours, or a total of 160 per week.³¹ Instead, they have generally departed from the 40-hour week prevailing before the defense emergency. From May 1940 to June 1941 the actual work week in 27 industries increased 11 per cent.³² Wage earners in defense industries are now generally working 48 hours per week, and some plants are employing shifts of 55 to 60 hours. Britain and Germany have gone much farther in extending the work week. In Britain a 64-hour week is in effect; and Mr. Knudsen has hinted that "as the emergency becomes greater, we might have to come to it."³³

In some quarters the high cost of overtime pay is regarded as an effective deterrent to increasing hours of work. The Walsh-Healey Act of 1936, applicable to government contracts for manufactured products, and the Fair Labor Standards Act of 1938, applicable to all industries whose products enter interstate commerce, both require the payment of penalty rates of time-and-a-half for all work in excess of 8 hours per day or 40 hours per week. Virtually all union contracts provide for a 40-hour week, with time-and-a-half for overtime; and a considerable number require double compensation for work on Sundays and holidays.³⁴ Studies by the Bureau of Labor Statistics indicate, however, that the cost of overtime compensation involved in lengthening the work week from 40 to 48 hours are "more than counterbalanced by the increased utilization of plant facilities and the absorption of fixed overhead expenses in a larger volume of production."³⁵ Moreover, some manufacturers and a large number of construction firms can pass on higher labor costs because they either have concluded cost-plus-fixed-fee contracts or have incorporated escalator clauses in their contracts.³⁶

29-30. *The New York Times*, May 8, 1941.

31. This suggestion was made to carry out a proposal by President Roosevelt that all vital machines be manned 168 hours per week. A survey of companies with defense contracts undertaken by the National Association of Manufacturers disclosed that if continuous operations over a 168-hour week were inaugurated, 76 per cent of the firms would experience a shortage of skilled labor; 63 per cent a shortage of semi-skilled labor; and 40 per cent a shortage of unskilled labor. National Association of Manufacturers, *Industrial News Service*, May 14, 1941.

32. National Industrial Conference Board, *Economic Record*, August 6, 1940 and August 11, 1941.

33. *The New York Times*, August 21, 1941.

34. "Overtime Provisions in Union Agreements in Certain Defense Industries," *Monthly Labor Review*, April 1941.

35. "Overtime Pay in Relation to Costs and Profits," *Monthly Labor Review*, July 1941.

36. National Industrial Conference Board, "Escalator Protection in Contracts," *Conference Board Reports*, March 19, 1941.

24. Slichter, *Economic Factors Affecting Industrial Relations Policy in National Defense*, cited, pp. 93-94.

25. An official of the Federal Committee on Apprenticeship has estimated the need at 400,000; Professor Slichter, at 860,000.

26. Hamburger, *How Nazi Germany has Mobilized and Controlled Labor*, cited, pp. 14-15.

27. OPM, *Press Release PM 620*, June 26, 1941.

28. *New York Herald Tribune*, August 6, 1941.

The possibility of increasing hours is definitely limited, however, by the physical capacity of the worker. In Britain experience during the first World War demonstrated that women lathe-operators actually turned out 13 per cent more work in a week of 47.5 hours than they did in 54.5 or 66 hours.³⁷ Following the crisis of May 1940 British war industries generally adopted a 12-hour day and 7-day week. After some time the growing exhaustion of workers compelled a reduction to 64 hours; and the Minister of Labor, Mr. Bevin, has expressed the opinion that 55 to 56 hours is actually the optimum length of the working week.³⁸ In the United States the optimum work week is probably lower than in Britain, since the tempo of production is faster. One authority has put it somewhere between 48 and 55 hours,³⁹ but there is little evidence to support or controvert such an estimate. The determination of the optimum hours of work necessarily depends on the type of work performed and on the age and sex of the worker.

LABOR SUPPLY BRANCH ESTABLISHED

A more vigorous campaign to provide defense industries with needed man power was launched on July 9, 1941 when Sidney Hillman announced the formation of a Labor Supply Branch within the Labor Division of the OPM. This branch is designed to unify the efforts of twelve government agencies which have hitherto handled various aspects of labor supply problems. It is assisted by twelve Regional Labor Supply Committees, which combine these same agencies on a regional basis and include representatives of labor and management.⁴⁰ Among its tasks are to encourage the employment of Negroes⁴¹ and women⁴² who have not been given an adequate share of defense work, and to facilitate the transfer to war industries of such

workers whose skills are not effectively utilized or who have been thrown out of work through the application of priorities.

In the future, the Labor Supply Branch, is expected to give more and more attention to the problem of finding defense employment for workers who have hitherto been occupied in the manufacture of consumers' goods. The government has devised a two-fold plan to integrate such workers into the defense program. Wherever plants can be converted for the production of defense articles, an effort will be made to obtain sub-contracts for them. Under a scheme announced on August 19, 1941,⁴³ a specially constituted Priorities Branch in OPM's Labor Division advises the Division of Contract Distribution of cases in which priorities are likely to close non-defense plants and create unemployment. After the Division of Contract Distribution has made an investigation of production possibilities, the OPM may recommend to the Secretaries of War and Navy a program to utilize the affected plants for defense work. To enforce a larger measure of sub-contracting, purchasing policies have been revised to require (1) that every contract over \$50,000 include a statement of the percentage of work to be "farmed out," and (2) that all contract proposals of \$250,000 or more be accompanied by a detailed statement as to sub-contracting intentions. If, on the other hand, factories producing civilian goods cannot be used for defense jobs, the government tries to secure the co-operation of labor and management in retraining the displaced workers and finding employment for them in defense plants. The public employment offices are to register and classify such workers, and defense contractors are asked to give them preference in hiring additional help.

LABOR MOBILITY

Despite all efforts to distribute the production of war materials in accordance with the available labor supply, the defense program inevitably involves a large-scale migration of workers, not only from non-essential to more essential industries, but from one locality to another. For example, a survey made by the Federal Bureau of Employment Security in 68 labor market areas with a total population of almost 17 million people disclosed that over 350,000 workers would have to be "imported" for defense jobs in 1941.⁴⁴ In totalitarian countries like Germany workers can be arbitrarily transferred from one place to another, drafted for vital industries and forbidden to leave their jobs. In democratic countries such restrictions are resented as

37. Max D. Kossaris, "Hours and Efficiency in British Industry," *Monthly Labor Review*, June 1941.

38. *Ibid.*

39. Slichter, *Economic Factors Affecting Industrial Relations Policy in National Defense*, cited, p. 62.

40. *Defense*, July 15, 1941, p. 4.

41. In response to widespread complaints that industries were refusing to hire Negroes President Roosevelt had issued an executive order on June 25, 1941 declaring it the duty of employers and labor organizations "to provide for the full and equitable participation of all workers in defense industries, without discrimination because of race, creed, color, or national origin," and instructing government agencies to include in all defense contracts subsequently negotiated a provision obligating the contractor not to discriminate against workers for these reasons. A Committee on Fair Employment Practice was set up in the OPM to watch over the enforcement of this order. *Ibid.*, July 1, 1941.

42. A survey by the Bureau of Employment Security of the Social Security Board disclosed that 1,185 out of 1,894 occupations in 21 key defense industries were suitable for women, although women were not being employed for such work. *The New York Times*, August 22, 1941.

43. OPM Press Release, PM 976.

44. Speech by Dr. W. W. Alexander, Labor Division, OPM, June 2, 1941. OPM Press Release, PM 487.

interference with individual freedom, even in times of national emergency. Although the British government was empowered to draft labor for war production in May 1940, it has made only sparing use of this authority.⁴⁵

In the United States the defense program has caused a considerable migration of workers. Unemployed and poorly paid laborers have spontaneously moved to centers of defense production seeking remunerative jobs. At the same time employers have enticed needed workers from other plants or communities through the offer of higher wages, faster promotion, etc. This uncontrolled and undirected movement of labor has created serious problems. Many unqualified workers and their families have become stranded in industrial areas without jobs or any means of support. While wage incentives are useful when they induce men to leave non-essential occupations, they are decidedly detrimental to production when they increase labor turnover in defense industries. The quit rate in industry has already risen rapidly, reaching an all-time high of 2.20 per 100 workers in May 1941, as compared with only 0.77 in the same month of the preceding year.⁴⁶ Owing to the scarcity of skilled craftsmen, "labor pirating" has become a widespread practice.⁴⁷ The adoption of some system giving vital defense plants labor priorities has been urged as a means of combatting this evil.

It is difficult to see how labor priorities could be enforced unless employers are required to hire workers solely through public employment offices. In Germany this requirement has been in effect for some years. Although the United States is covered with a network of state employment offices affiliated with the U.S. Employment Service, only a small proportion of workers, particularly in the skilled categories, are hired through this system.⁴⁸ Many workers and employers make no use of its services at all, partly because of ignorance, partly because of lack of confidence in its work.⁴⁹ Attempts are being made now to raise the competence of personnel in employment offices, and their work

is being given more publicity. In the spring of 1941 a drive to secure registration of all workers who might qualify for jobs in defense industries met with considerable success. At the same time appeals were addressed to employers, asking them to make more use of the facilities of employment offices. The government is anxious to have defense plants apprise the nearest public employment office promptly of present and impending labor needs. This office will then try to find the workers locally or arrange to have them transferred from other localities. Machinery for regional and national clearance of labor requirements has been worked out by the U.S. Employment Service.⁵⁰ Unless labor and management cooperate voluntarily with the Employment Service in putting an end to the disorderly and unplanned migration of labor, it may prove necessary to require the registration of all job-seekers and give public employment offices a monopoly in the placement of workers.

HOUSING FOR DEFENSE WORKERS

The migration of workers to defense areas has created a tremendous demand for new housing. During the last war bad housing conditions caused a sharp rise in labor turnover in many localities and seriously impaired production.⁵¹ The present emergency found this country in some respects better prepared. Public authorities have acquired considerable experience with low-cost housing, and many public agencies, both federal and local, have been engaged in financing and constructing dwellings. From the very beginning of the defense program the need for housing was appreciated.

Nevertheless, the housing problem is still serious. During the last decade residential construction has lagged far behind requirements. From 1932 to 1937 the total number of housing units erected by private builders was little more than the normal need created by obsolescence, demolition and the increase in population during a single year. Although building recovered sharply in the last four years, it did not approach current requirements until 1940.⁵² Despite the fact that a large proportion of

45. Workers engaged in the merchant marine and in the shipbuilding, coal, engineering and construction industries now cannot leave their jobs without official consent, and dock laborers may be ordered from place to place within specified areas as needed. J. F. Green, "Britain's Wartime Economy," *Foreign Policy Reports*, August 1, 1941.

46. National Industrial Conference Board, *Economic Record*, August 11, 1941, p. 337.

47. "Stopping Labor Pirating," *Business Week*, July 12, 1941.

48. During the first eleven months of the defense effort, the public employment offices registered more than 6,500,000 workers and placed 1,500,000 of them in jobs. See testimony of Sidney Hillman before the Committee of the House of Representatives Investigating National Defense Migration, *OPM Press Release*, PM 729, July 15, 1941.

49. *Labor and National Defense*, cited, pp. 35-36.

50. For a description of this machinery, see "National Employment Clearance System," *Monthly Labor Review*, December 1940. It has proved difficult in practice to weld the state employment offices into an effective national system. Arthur J. Altmeyer, Chairman of the Social Security Board, has called for a "nation-wide employment service with a nation-wide outlook and a nation-wide supply of men and women available for placement" ("Stopping Labor Pirating," cited).

51. For a full discussion of experiences during the last war, see *Housing for Defense* (New York, The Twentieth Century Fund, 1940), Chapter I.

52. Speech by C. F. Palmer, Defense Housing Coordinator, *Press Release DH62*, April 18, 1941. Over a period of seven years public housing construction (PWA and USHA) accounted for 127,258 dwelling units—somewhat over a fifth of the total number of new houses needed every year.

old, obsolescent housing was retained in the last decade, the net increase in families far exceeded the net increase in dwelling units for the years 1933 to 1938 inclusive.⁵³

A number of factors also delayed the formulation and execution of an adequate housing program. The multiplicity of federal and local housing agencies made it difficult to concert policy. In July 1940 a Defense Housing Coordinator (Mr. C. F. Palmer) was named to the National Defense Advisory Commission, but he had rather vague, advisory powers until an executive order of January 11, 1941 established his Office as a separate agency entrusted with more definite authority.⁵⁴ The government at first underestimated housing requirements. The initial program, calling for 200,000 additional dwelling units for defense workers, had to be doubled.⁵⁵ Delays were caused, too, by controversies over the type of housing—temporary or permanent—to be erected, and the respective shares of government and private enterprise.

While the Coordinator's Office has tried to obviate the need for additional housing as far as possible by improving local facilities for the registration of all available vacant rooms and houses⁵⁶ and by providing better transportation to new industrial plants, it has placed most emphasis on the erection of new dwellings. This task has been approached along two lines:

1. *Stimulation of private building*—This has taken place through existing agencies such as the Federal Home Loan Banks which furnish short-term or long-term advances to private home-financing institutions on approved home-mortgage collateral, and the Federal Housing Administration which insures first mortgages on new homes and insures losses up to 10 per cent on loans for modernization or alteration of buildings for residential purposes. In order to encourage the FHA to take greater risks in underwriting housing for defense, new legislation passed in March 1941⁵⁷ created a separate Defense Housing Insurance Fund of \$10,000,000 for the purpose of insuring \$100,000,000 in mortgages on one to four family dwellings in such areas where the President finds that "an acute

housing shortage exists or impends which would impede national defense activities." In contrast to previous practice, which permitted the FHA to insure mortgages up to 90 per cent of appraised value only on small single-family homes built for owner-occupants able to provide 10 per cent in cash, such houses can be sold without down payment and are entitled to 90 per cent insurance, even when built for rental. Under these conditions private home-building has continued to expand.⁵⁸

2. *Public or government housing*—From the outset the government realized that in certain defense areas the continued need for housing after the emergency would be so uncertain and the chance for profit so small in view of the low rentals required that private capital would be unwilling to invest. Government-owned housing was necessary not only for the married, enlisted personnel of the Army and Navy and their civilian employees, but also, in many cases, for industrial workers. As the first step in this direction the United States Housing Authority, which had been engaged in financing low-cost public housing and slum clearance, was empowered in June 1940⁵⁹ to use the unexpended portion of its funds (over \$30 million) for this purpose.⁶⁰ In September 1940 the War and Navy Departments received \$100,000,000 to provide housing facilities, primarily for their own enlisted personnel and civilian workers; and in October 1940 the Lanham Act provided the Federal Works Agency with \$150,000,000 to erect public housing for industrial workers.⁶¹ From the latter fund \$10,000,000 was allocated as capital to a newly created Defense Homes Corporation, a subsidiary of the RFC. This Corporation will actually be able to spend \$50,000,000 on the construction of new homes, since mortgage capital amounting to \$40,000,000 will be furnished by private institutions under FHA insurance. In the spring of 1941 all these funds were virtually exhausted, so Congress appropriated \$150,000,000⁶² more for government housing as well as \$5,000,000 for temporary shelters.⁶³ Another appropriation of \$300,000,000 was made in the summer.⁶⁴

By August 30, 1941 money had been allocated for 111,545 family dwellings, of which 41,429 were for enlisted and civilian personnel of the Army and Navy and 70,116 for industrial workers. Only 32,432 units, however, had been completed. In addition, the Division of Defense Housing Coordination had allotted

53. *Housing for Defense*, cited, p. 63.

54. Among his powers is the duty to "formulate and recommend to the President coordinated defense housing programs with the objective of avoiding shortages, delays, duplication, and overlapping in defense housing; and advise each Federal Housing agency of its part in the program." *Defense*, January 14, 1941.

55. In a speech delivered on May 14, 1941, J. C. Nichols, Chief of the Supply Section of the OPM, declared that at least 200,000 houses were needed now and perhaps another 200,000 next year. *The New York Times*, May 16, 1941.

56. Thus the Homes Registration Division, established in January 1941, has set up 88 offices to aid in surveying and recording vacancies in key industrial areas. The WPA is cooperating in this project. *Defense*, May 6, 1941 (p. 18) and May 13, 1941 (p. 19).

57. *Public Law 24*, 77th Congress, 1st session.

58. From July 1, 1940 to August 30, 1941 241,194 small homes were started by private capital under the FHA program. Of this total 85 per cent were in the vicinity of vital defense industry areas. *Defense*, May 20, 1941, p. 13, and September 9, 1941, p. 21.

59. *Public No. 671*, 76th Congress, 3d session.

60. In undertaking such defense projects the USHA was allowed to waive the stipulations that localities provide 10 per cent of the cost, that sub-standard dwellings sufficient to match public housing be eliminated, and that tenancy be restricted to families below certain incomes.

61. *Public No. 849*, 76th Congress, 3d session.

62. *Public Law 73*, 77th Congress, 1st session.

63. *Public Law 9*, 77th Congress, 1st session.

64. *Public Law 248*, 77th Congress, 1st session.

funds to build 4,254 family trailers and dormitory accommodations for 9,591 single persons.⁶⁵ With the exception of these temporary shelters, which are designed only for emergencies, virtually all of the housing constructed for the government is of a permanent character and meets standard specifications. Originally the Defense Housing Coordinator had planned to use more trailers, dormitories and prefabricated, demountable housing which could be shifted from place to place according to need and torn down after the emergency. The greater part of these plans failed to materialize, partly because permanent housing was considered socially more desirable, partly because manufacturers could not meet specifications and prices, and lastly because labor unions in many cases objected to the use of prefabricated materials.⁶⁶

While much greater progress has been achieved to date than in the previous World War, the housing program is far from adequate. Too many homes have been built for owner-occupancy, rather than for rental. Acute housing shortages are still reported in Washington, D. C. and in many manufacturing and shipbuilding centers. Employees often have to travel such distances that they refuse to work overtime. Although the Defense Housing Coordinator urged early in June 1941 that Congress authorize \$500,000,000 more for public construction of 125,000 additional homes by the middle of 1942,⁶⁷ the President chose to reduce this request to \$300,000,000 which will provide for only 75,000 dwellings "to fill the most urgent present needs."⁶⁸ Meanwhile, housing projects are being severely handicapped by shortages of building material. Although a plan to give defense housing priority over other housing was announced on June 29,⁶⁹ no priority ratings have actually been accorded on building materials for this purpose.^{69a}

STRIKES AND DEFENSE

Improvements in labor supply must be complemented by measures designed to cut the time lost by strikes to the lowest possible minimum. Since the beginning of the defense program in the summer of 1940 the number of man-days lost in industrial disputes has risen—at first slowly, then rapidly in the spring of 1941. In the second half of 1940 it was substantially higher than in the first half; and in January-July 1941 it was only 28 per cent less than in the corresponding period of 1937

when an unprecedented "strike-wave" swept over the country. It should be pointed out, however, that the monthly loss was below the 1935-39 average except for April 1941 when the coal strike, which did not directly affect defense production, accounted for over two-thirds of the man-days idle. From January 1 to August 12, 1941 2,950,200 man-days were lost through strikes in industries handling War Department contracts, while the loss in industries with Navy contracts amounted to 2,151,000 up to August 9.⁷⁰

STRIKES	
Year	Man-days lost (in thousands)
1929	5,352
1932	10,502
1936	13,902
1937	28,425
1938	9,148
1939	17,812
1940	6,701
1940—first half	2,515
1940—second half	4,186
1941—January-July	15,750

The idleness caused by strikes appears insignificant when compared with total employment. Thus in January, February and March 1941 it represented only 0.11, 0.21 and 0.27 per cent respectively of the total man-days of work available in industry.⁷¹ At the same time one must remember that strikes in key plants or of key personnel often cause delays in production out of all proportion to the number of men involved.

The most important cause of strikes up to the present has been the struggle for union recognition, often coupled with wage and hour demands. When the defense program was initiated most of the industries affected had only been partially unionized.⁷² The CIO and AF of L, which had a combined membership of 7,806,567 in the fall of 1940,⁷³ both launched aggressive organization drives which inevitably brought them into conflict with those enterprises which had been traditional foes of

70. Figures of the War and Navy Departments, quoted by Senator Byrd. *The New York Times*, August 20, 1941.

71. "Total man-days of work available" is calculated by multiplying the total of employed workers in each industry by the number of days worked by most employees in each industry or group. See the analyses of strikes in the *Monthly Labor Review* for May, June and July 1941.

72. At the end of 1940 the proportion of workers covered by union agreements was as follows in the leading defense industries: metal-mining, about $\frac{1}{4}$; aircraft, nearly $\frac{1}{3}$; machine tools, $\frac{1}{2}$; shipbuilding $\frac{1}{2}$; aluminum and rubber, about $\frac{2}{3}$; iron and steel, over $\frac{2}{3}$; electrical equipment, nearly $\frac{3}{4}$; and automobile, about $\frac{3}{4}$. "Overtime Provisions in Union Agreements in Certain Defense Industries," *Monthly Labor Review*, April 1941.

73. Of this number the AF of L claimed 4,247,443, the CIO 3,559,124. The Railroad Brotherhoods, an independent union, had a membership of about 600,000. Leo Wolman, "Organized Labor and Defense Production," National Industrial Conference Board, Supplement to *The Economic Record*, December 31, 1940.

65. *Defense*, September 9, 1941, p. 20.

66. See "Housing Impasse," *Business Week*, February 15, 1941; also *ibid.*, February 1, 1941 (p. 8), and February 8, 1941 (p. 8).

67. Address by C. F. Palmer, June 11, 1941. *Office for Emergency Management, Press Release, DH 118*.

68. *The New York Times*, June 27, 1941.

69. *Defense*, July 1, 1941, p. 9.

69a. See statement by Charles F. Palmer, *New York Herald Tribune*, September 4, 1941.

unionism. With few exceptions, the unions have now won their demands for collective bargaining and contracts. In the future, questions involving "union security" are likely to assume growing importance as strike issues. Among the demands which unions are advancing with increasing frequency are (1) the closed shop in which all workers must belong to the union; (2) the check-off system in which the employer must deduct union dues from wages; and (3) a provision short of the closed shop which compels the management to discharge employees who do not remain union members in good standing. By these means the unions hope to strengthen and consolidate their position.

MAJOR ISSUES OF STRIKES*

ISSUE	Percentage of Strikes		Percentage of Workers Involved	
	Year 1940	1st quarter of 1941	Year 1940	1st quarter of 1941
Wages and hours	30.2	28.0	41.0	28.9
Union organization	49.9	54.3	33.1	53.0
Recognition	10.4	11.8	3.5	17.9
Recognition and other issues	20.4	25.7	8.9	19.1
Closed or Union Shop	11.6	8.0	11.0	7.5
Other	7.5	8.8	9.7	8.5
Union rivalry and jurisdiction	6.3	7.0	4.6	5.1
All others	13.6	10.7	21.3	13.0

*Adapted from statistics in the *Monthly Labor Review* of the Department of Labor. The Department concedes that the number of jurisdictional strikes is underestimated owing to inadequate information.

Wage and hour issues have been the second major cause of strikes. Proportionately their importance is apt to increase rather than decline. When the many union contracts concluded in the past year come up for renewal, the provisions regarding wages and other working conditions may again provoke conflict, particularly if rising prices or profits can be cited in justification of demands for higher compensation. Such questions, however, are particularly suitable for settlement by mediation or arbitration.

Union rivalry and jurisdictional disputes, although not so important as generally supposed, seem destined to remain a source of labor conflict as long as the competition between CIO and AF of L continues. The conflict would be minimized, however, if both unions were persuaded to agree for the duration of the emergency to abide by decisions of the National Labor Relations Board designating one or the other as the bargaining agent for the workers in specific plants. In a number of cases employers who have concluded contracts with unions named by the NLRB as the proper agents of the employees have subsequently been confronted with strikes engineered by rival unions.

Six federal agencies have been created to settle disputes by peaceful means. Four of these are rather limited in scope. The Maritime Labor Board created

in 1938 can mediate labor controversies in the merchant marine at the request of management or labor. The National Mediation Board, established in 1934, mediates disputes arising out of negotiations for new agreements in railway and commercial air transportation. In addition, the National Railroad Adjustment Board hears controversies concerning the application or interpretation of existing agreements. The National Labor Relations Board exists primarily to enforce the right to free union organization and collective bargaining, but can help to prevent strikes over union recognition and unfair labor practices. Its procedure, however, is rather cumbersome and time-consuming, and frequently cannot prevent labor from striking to obtain recognition. The Conciliation Service of the Labor Department can lend its good offices in any dispute between capital and labor. Its staff, which has recently been expanded, now includes some 110 experienced conciliators. In the first 7 months of 1941 it was instrumental in preventing strikes in 911 disputes involving 548,010 workers.⁷⁴ Finally, on March 19, 1941, the President appointed a special National Defense Mediation Board consisting of three disinterested persons, and four each representing labor and management.⁷⁵ This Board, under the chairmanship of Clarence A. Dykstra, and, since July 1, of William H. Davis, can mediate only those disputes certified to it by the Secretary of Labor, who in turn has delegated her power of certification to a committee consisting of the chairman of the Mediation Board, the legal adviser to the Labor Division of the OPM, and the head of the Labor Department's Conciliation Service.

Since its inception the NDMB has had to handle the most difficult labor disputes in defense industries. Its personnel has been overworked, for up to August 31 it had received 70 cases involving about 800,000 workers. While the Board's procedure has been kept informal and elastic, its first step has generally been to secure an agreement to resume work or defer a threatened strike pending negotiations, usually on condition that the final settlement apply retroactively to a specified date. For each dispute the chairman designates a panel of three, sometimes five, members, with an impartial presiding officer and equal representation of labor and management. This panel conducts hearings and helps the parties secure a direct settlement. Occasionally it appoints a special representative to investigate the issues and report, or acts as arbitrator with the consent of both parties. Difficult questions are at times referred to the whole Board. If no agreement is

74. Labor Day speech of the Secretary of Labor, *The New York Times*, September 2, 1941.

75. For the text of the executive order creating the Board, see *Defense*, March 25, 1941, p. 14.

reached, the panel makes its own recommendations. To give weight to the proposals of its panel, the whole Board may endorse them and publish its findings.

Although the Board has no powers of enforcement, it is not altogether impotent when its authority is defied. In one or two cases it has successfully mobilized spokesmen for organized labor in support of its attempts to induce recalcitrant local unions to accept its proposals. A much more drastic solution was adopted, however, when a strike broke out on June 5 at the North American Aviation plant despite a previous understanding with the union to postpone a walk-out pending the Board's consideration of the case. Because of the vital importance of the plant's defense work, the President acted promptly after appeals to resume work had proved ineffective. Relying on his general constitutional powers, the President directed the Secretary of War on June 9 to take over and operate North American Aviation and ordered out troops to afford protection to all men who wanted to resume work.⁷⁶ This step, reinforced by the threat to reconsider the classification of strikers under the Selective Service Act, succeeded in breaking the strike. The NDMB then resumed its consideration of the issues involved, and after both parties had accepted its recommendations for a settlement, the President returned the plant to private management on July 2, 1941.⁷⁷ Later, on August 23,⁷⁸ the President reluctantly instructed the Secretary of the Navy to take over the strike-bound plant of the Federal Shipbuilding and Drydock Company at Kearny, New Jersey, after the management had repeatedly rejected a recommendation by the NDMB that it agree to a provision requiring the discharge of employees who did not remain union members in good standing after once joining the union.

Although the NDMB has settled many disputes to the satisfaction of both parties, its actions have been severely criticized. It is contended, for example, that the Board's decisions "have revealed a steady tendency in one direction—to buy off strikes by accepting the major demands of the strikers,"⁷⁹ and have accordingly provoked other workers to strike in the hope of securing the satisfaction of their demands. In addition, the Board has been assailed for its failure to adopt a set of principles governing its work.^{79a} It is true that settlements promoted

by the Board have generally involved wage concessions by employers, although in many cases unions did not obtain the full amount asked. Whenever the closed or preferential shop has been an issue, the Board has often conceded labor organizations the right to require that workers who have joined or join the union retain their membership as a condition of continued employment.⁸⁰ These settlements are defended, however, on the ground that the Board's chief task is to compromise labor disputes as quickly as possible in order to minimize the interruption of defense production. The Board has refused to be bound by any set of principles or precedents,⁸¹ apparently because it wants to remain completely free to make any proposal which the circumstances of each case may dictate.

It may be said, however, that the NDMB has in practice confused mediation and arbitration. Although empowered solely to promote voluntary agreements, its "recommendations" in many cases constitute compulsory arbitration, particularly since they may be enforced by government seizure of the strike-bound plant. In practice it is difficult for the parties to a labor dispute to be completely frank with mediators who may later pronounce an arbitral judgment. Moreover, Congress has never specifically sanctioned government operation of defense plants in cases where either or both sides refuse to accept procedures for peaceful settlement or recommendations by the NDMB.

Sentiment for legislation to curb strikes has at times been strong. Proposals have ranged from severe punishment for strikes on defense orders and compulsory arbitration, to the institution of a compulsory waiting or "cooling-off" period pending the exhaustion of peaceful methods of settlement. Up to the present, organized labor has been strong enough to prevent the enactment of such legislation. To outlaw strikes against the will of organized labor may provoke, rather than alleviate, industrial strife. In Australia, for example, compulsory arbitration has not prevented many violent "illegal" strikes. Canada has had similar experience.⁸² A temporary prohibition against strikes during the period of mediation and investigation such as the Railway Labor Act contains might prove workable. The Railway Labor Act provides for collective bargaining and sets up definite procedures for peaceful adjustment of controversies. Labor and management must first try to settle disputes by direct nego-

76. For text of the President's statement and order, see *New York Herald Tribune*, June 10, 1941.

77. *The New York Times*, July 3, 1941.

78. *Ibid.*, August 24, 1941.

79. Editorial in *The New York Times*, August 25, 1941.

79a. Statement by Walter D. Fuller, president of the National Association of Manufacturers, *New York Herald Tribune*, September 1, 1941.

80. For an analysis of Board recommendations, see "The Pattern of NDMB Settlements," *Labor Relations Reporter*, July 14, 1941.

81. On July 10, 1941 the Board unanimously declined to adopt a statement of defense labor policy for the guidance of its panels. *The New York Times*, July 11, 1941.

82. See *Labor and National Defense*, cited, pp. 100-101.

tations. If these fail, the National Mediation Board tries to bring about agreement; and if, in turn, it is unsuccessful and a serious strike threatens, the Board must notify the President who may appoint an emergency board to investigate the issues. During this investigation and for thirty days after publication of the Board's recommendations, strikes, lock-outs and changes in conditions of employment are forbidden. Since 1934 six such emergency boards have been appointed (the latest on September 10, 1941) and no strikes have taken place.⁸³ This system of peaceful settlement, however, would probably not be successful if the public were not intolerant of transportation strikes.

The Labor Division of the OPM has therefore preferred to work out a different solution, based on the voluntary cooperation of labor and management. It has promoted the conclusion of stabilization agreements through industry-wide collective bargaining. Such agreements are designed to create uniform working conditions, establish recognized procedure for the adjustment of grievances and outlaw strikes and lock-outs for a specified period. The first was concluded for the shipbuilding industry on the West Coast in April 1941. Similar agreements have been negotiated and applied to shipyards on the East Coast, and in the Great Lakes and Gulf areas; and the OPM's Labor Division is at present working out plans to standardize wages and working conditions in this way for the entire aircraft industry. On July 24 federal government agencies also reached an agreement with AF of L building trades unions stabilizing labor relations on defense construction projects.⁸⁴ Experience has already demonstrated that such pacts do not invariably guarantee labor peace, particularly since local unions may refuse to abide by them. Nevertheless, the conclusion of these agreements is generally regarded as a constructive approach to labor-management relations.

NEED FOR CLEAR POLICY AND COOPERATION

Fundamentally, the solution of the labor problem in relation to national defense may prove impossible unless the government clearly defines its policies relating to wages, hours, the closed shop, profits and similar questions. Up to the present the Adminis-

tration has avoided these issues. Such questions can perhaps be determined best through the cooperation of labor and management, with the government only assisting. It has been suggested, for example, that the Administration establish a Labor Policies Board to which unions and employers' organizations would each designate an equal number of representatives. Such a Board would determine the basic policies which should govern the settlement of labor disputes and help the government in its task of securing a constant and adequate supply of qualified labor for defense industries.

Industrial peace, in particular, is likely to be more solid and permanent if obtained through voluntary cooperation of labor and management. There are two prerequisites for this cooperation. First of all, the economic implications of our defense effort must be clearly understood. The defense program should not be considered simply in the light of opportunities for higher profits and wages. The country is now entering a stage in its preparations in which an increase in the output of war materials can be achieved only at the expense of civilian production. The government is striving to control prices for consumers' goods, but its efforts are unlikely to succeed if consumer income derived from wages and business continues to rise. Thus a ceiling on prices requires a ceiling on wages and profits. Secondly, both labor and management must be brought to a full realization of the stakes in this war. The fact that strikes in Britain have been relatively few is due not to legislative prohibitions,⁸⁵ but to a conviction that in times when democracy is in dire peril both sides must exhaust every mode of peaceful adjustment and subordinate the pursuit of selfish advantage to the task of winning the war. In the United States labor and management do not yet fully appreciate the gravity of the international crisis, and the urgent necessity of working together in face of the common danger of totalitarianism.

85. The right to strike has been restricted in Britain in agreement with the British Employers Confederation and the Trades Union Congress. Under the Conditions of Employment and National Arbitration Order, effective July 25, 1940, lock-outs and strikes are prohibited unless disputes have been reported to the Minister of Labor and have not been referred by the Minister for settlement within 21 days from the date reported. Cases may be submitted to the National Arbitration Tribunal whose decisions are binding. See Schoenfeld, "Development of British War Labor Policy," cited.

83. *Ibid.*, pp. 92-93.

84. *Defense*, July 29, 1941.

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TOWARD FREE TRADE WITH LATIN AMERICA

by Constant Southworth